

DE 00-039

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

**Request for Approval of Transition and Default Service
Contract**

Order Approving Procedural Schedule

O R D E R N O. 23,437

April 3, 2000

APPEARANCES: Dean, Rice & Kane, P.A. by Mark W. Dean, Esq. for the New Hampshire Electric Cooperative, Inc.; James T. Rodier, Esq. for Freedom Partners, LLC, AGF Direct Gas Sales & Servicing, Inc. d/b/a AGF Direct Energy, New Hampshire Consumers' Utility Cooperative and James T. Rodier, LLC; New Hampshire Legal Assistance by Alan Linder, Esq. for L. Thomas Russell; Wynn E. Arnold, Esq., Senior Assistant Attorney General, for the Governor's Office of Energy and Community Services; Michael W. Holmes, Esq., Consumer Advocate, on behalf of residential ratepayers; and Donald M. Kreis, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On February 25, 2000, the New Hampshire Electric Cooperative (NHEC) filed with the New Hampshire Public Utilities Commission (Commission) a request that the Commission open a docket to consider NHEC's arrangements for acquiring wholesale Transition and Default Service for the one-year period commencing on June 1, 2000. The NHEC issued a request for proposals (RFP) on March 1, 2000, seeking bids for wholesale provision of Transition and Default Service for the period. The RFP sought bids for Transition Service pricing both with and without an 8 mil per kWh retail "add-on." It

also permitted potential suppliers to bid on both an all-requirements option as well as prescheduled "strips" of energy plus specific amounts of installed capacity.

The Commission issued an Order of Notice on March 10, 2000, scheduling a pre-hearing conference for March 23, 2000 and directing that any petitions to intervene be filed by March 20, 2000. The Commission received six such petitions: from the Governor's Office of Energy and Community Services (GOECS); Concord Electric Company and Exeter & Hampton Electric Company; NHEC retail customer and member L. Thomas Russell; Freedom Partners, LLC; AGF Direct Gas Sales & Servicing, Inc. d/b/a AGF Direct Energy (AGF); New Hampshire Consumers' Utility Cooperative, Inc. (NHCUC); and James T. Rodier, LLC (Rodier). Concord Electric and Exeter & Hampton are affiliates, each with retail electricity customers in New Hampshire. Freedom Partners and AGF are potential suppliers of retail electricity to customers of transmission and distribution utilities in New Hampshire. NHCUC is an electricity aggregator and member-owned cooperative. Rodier is also a licensed aggregator.

The Commission conducted the pre-hearing conference as scheduled. The Office of Consumer Advocate (OCA) entered an appearance on behalf of residential ratepayers. There were

no objections to any of the intervention petitions and, accordingly, they were granted.

At the pre-hearing conference, the parties were given an opportunity to state preliminary positions with respect to the issues in the proceeding.

NHEC indicated that it was still in the process of reviewing responses to its RFP. According to NHEC, pending completion of the bidding process, one of four possibilities will be presented to the Commission for its approval: provision of all-requirements Transition Service in the manner previously approved by the Commission for the period of January 1, 2000 to May 31, 2000; provision of Transition Service with an 8 mil retail adder which would offset NHEC's stranded cost balance and be designed to encourage competitive suppliers to serve NHEC members; provision of predetermined "strips" of energy by the winning bidder with NHEC serving the remainder of its Transition Service load via energy acquired from the ISO-New England spot market; or rejection of all bids with the NHEC obtaining all Transition Service energy from the spot market. NHEC indicated that it gave bidders the option of making offers for the first three months of the period, the ensuing nine months or the entire 12-month period.

NHEC indicated that it expects to have signed a

contract for Transition Service by May 1, 2000. NHEC offered the sum of \$0.050 per kWh as its current estimate of the likely price of Transition Service during the one-year period, with the price increasing to \$0.069 with the addition of an 8 mil adder. NHEC explained that, if an adder is imposed, potential suppliers of Transition Service need to increase their price in order to take account of the risk of losing customers to competitive suppliers. NHEC's current Transition Service rate is \$0.042 per kWh.

According to NHEC, it has given its bidders the option of providing energy to aggregators at the same rate it would charge NHEC for wholesale electricity. NHEC indicated that it is open to, but had deferred, the suggestion of GOECS of providing a so-called "green" Transition Service option.

The Office of Consumer Advocate declined to take a preliminary position.

On behalf of Freedom Partners, AGF, NHCUC and Rodier, Mr. James T. Rodier voiced support for the concept of retail adders. He characterized the notion that retail adders will drive up customer bills as a myth, noting that an adder would be structured to reduce the utility's stranded cost balance. He urged the Commission either to take action in NHEC's service territory to assure the development of true

retail competition.

On behalf of Mr. Russell, Mr. Linder indicated that his client is a low-income customer of NHEC who wishes to assure the availability of low-cost, reliable electricity in NHEC's service territory.

GOECS indicated that it does not favor retail adders, believing they act as a disincentive to innovation and creativity by retail electricity suppliers. GOECS continues to advocate for the advent of a "green" Transition Service option, but agreed it need not be addressed with regard to the Transition Service period at issue here. According to GOECS, there is good reason to explore the possibility of the Transition Service provider also selling energy to aggregators at the same wholesale price it offers to NHEC. Finally, GOECS raised the issue of the administrative costs associated with Transition Service, believing such costs to be appropriately borne by all customers rather than only those actually taking Transition Service.

Staff indicated that it welcomed this first opportunity to consider how best to promote retail competition now that the NHEC's services have been unbundled and its dispute with PSNH (its former requirements supplier) has been resolved. Staff indicated skepticism about retail adders and

also suggested that it may be time for the Commission to determine when the Transition Service period will end in NHEC's service territory.

Following the pre-hearing conference, the parties and Staff met for a technical session and also agreed upon the following proposed procedural schedule:

Testimony from NHEC	March 30, 2000
Technical Session	April 3, 2000
Rolling Data Requests (responses due 3 days after receipt)	April 10, 2000
Staff/Intervenor Testimony	April 10, 2000
Hearing on Merits	April 17, 19, 20, 2000

The parties and Staff noted that the purpose of conducting the hearing on such an expedited schedule would be to permit the Commission to rule on the question of retail adders by April 24, 2000, with an eye toward permitting NHEC to enter into a Transition Service contract by May 1, 2000.

We find the proposed schedule to be reasonable and in the public interest and, therefore, we approve it. Accordingly, the proposed schedule will apply for the duration of the proceeding.

Based upon the foregoing, it is hereby

ORDERED, that the procedural schedule delineated above is APPROVED; and it is

FURTHER ORDERED, that Freedom Partners, LLC, AGF Direct Gas Sales & Servicing, Inc. d/b/a AGF Direct Energy, New Hampshire Consumers' Utility Cooperative, James T. Rodier, LLC, L. Thomas Russell, the Governor's Office of Energy and Community Services, Concord Electric Company and Exeter & Hampton Electric Company be granted intervenor status in this docket.

By order of the Public Utilities Commission of New Hampshire this third day of April, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary